

May 8, 2006

Mr. Jerry Royer
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102

SUBJECT: Comments of Southern California Edison Company on
Draft Resolution E-3996

Dear Mr. Royer:

Pursuant to the letter of April 17, 2006 from Ken Lewis, Program Manager of the California Public Utilities Commission's (Commission) Energy Division, Southern California Edison Company (SCE) submits the following comments on Draft Resolution E-3996 addressing SCE's revisions to Rule 21 in compliance with Ordering Paragraph 2 of Decision (D.) 05-08-013. The Draft Resolution is scheduled to be heard at the Commission's May 25, 2006 meeting.

The Draft Resolution approves the utilities' filings, in part, but also orders the utilities to make changes to Rule 21 that are contrary to D.05-08-013 and the consensus position of the Rule 21 Working Group. In particular, the Draft Resolution deletes the distinction between metering requirements for generating facilities that receive regulated subsidies and generating facilities that do not receive regulated subsidies. The Draft Resolution also orders changes to specific tariff language required by D.05-08-013 concerning when NGOM is required.¹ SCE urges the Commission to reject these changes and adopt the final resolution in accordance with these comments. Specifically, the Commission should maintain the requirement that NGOM is required for generating facilities that receive publicly funded incentive payments or specific tariff exemptions. The Commission should also reject the Draft Resolution's efforts to limit the perspective on cost-effectiveness analysis when evaluating the need for NGOM.

D.05-08-013 Requires NGOM for Generating Facilities that Receive Regulated Subsidies

Ordering Paragraph 2 of the Draft Resolution deletes the distinction between NGOM requirements for subsidized and non-subsidized generating facilities. The Draft Resolution bases this order on language in the summary of D.05-08-013. However, the Draft Resolution's order is in direct conflict with the body of D.05-08-013 and Ordering Paragraph 2. D.05-08-013 states:

¹ The Draft Resolution also orders the utilities to make changes to the person per-hour charge in Table C.1 of Rule 21, and revise the Table footnote to include a statement that other costs such as travel time may also be included in the total charges for Commissioning Test Verification visits. SCE will comply with this request.

The CEC agrees that NGOM is required when the customer receives publicly-funded incentive payments and/or specific tariff exemptions, other than NEM Customers. Otherwise, the CEC does not believe that NGOM is required We adopt the recommendations of the CEC with regard to NGOM and herein direct the utilities to submit tariff modifications following consultation with the Rule 21 Working Group.²

* * *

[The utilities] shall file modifications to Rule 21 of their respective tariffs . . . that modify Rule 21 for each utility as follows: DG facilities that do not receive regulated subsidies do not need to install net generation output metering (NGOM) where less intrusive and/or more cost-effective options for providing output data are available, consistent with existing Rule 21.³

The “summary” of D.05-08-013 quoted in Draft Resolution E-3996 is in direct conflict with the above text of D.05-08-013, specifically Ordering Paragraph 2, Bullet 1, which directs the Rule 21 tariff changes. The summary states that the Commission is retaining existing NGOM rules for generating facilities that *do* receive publicly funded incentive payments or specific tariff exemptions, while D.05-08-013, Ordering Paragraph 2, Bullet 1, and the rest of the Decision state that the Commission is retaining existing NGOM rules for DG facilities that *do not* receive publicly funded incentive payments or specific tariff exemptions. Because D.05-08-013 does in fact order changes to Rule 21, and the rest of the Decision consistently distinguishes between generating facilities that receive regulated subsidies and those that do not, the utilities’ proposed Rule 21 tariff changes maintain the distinction between subsidized and unsubsidized generating facilities. The utilities’ tariffs thus explicitly clarify that NGOM *is* required when the generating facility receives publicly funded incentive payments or specific tariff exemptions, and that NGOM *is not* required when the generating facility does not receive a regulated subsidy (provided there is a less intrusive or more cost effective option for providing output data – *e.g.*, estimation). These tariff changes are taken directly from Ordering Paragraph 2 of D.05-08-013 and the Decision text quoted above.

Not only is the utilities’ proposed tariff consistent with D.05-08-013, but explicitly requiring NGOM for generating facilities that receive regulated subsidies is also good policy. As the Commission embarks on new statewide subsidy programs such as the California Solar Initiative, metering will be critical to ongoing progress assessments. Further, in Rulemaking 06-03-004, the Commission will be examining issues related to counting distributed generation for purposes of compliance with the Renewable Portfolio Standard. In light of these developments, the Commission’s mandate requiring NGOM for generating facilities that receive regulated subsidies

² D.05-08-013, Section III, third and sixth paragraphs.

³ D.05-08-013, Ordering Paragraph 2, Bullet 1.

is well founded and, consistent with the express language of the Decision, should be mentioned explicitly in Rule 21.⁴

It is also worth noting that SCE is not alone in its interpretation of the Decision. Pursuant to the directive in D.05-08-013, the utilities developed proposed Rule 21 tariff changes in consultation with the Rule 21 Working Group. The tariff changes proposed by the utilities were acceptable to all of the State's distributed generation stakeholders. This is evidenced by the fact that there were no protests to the three utility Rule 21 filings. The Draft Resolution's ordered changes thus run counter to both the mandates of D.05-08-013 and the work accomplished by the Rule 21 Working Group. For these reasons, SCE requests that the Commission adopt SCE's proposed tariff language concerning NGOM requirements.

The Draft Resolution's Changes Concerning Cost-Effectiveness are Contrary to D.05-08-013

As reflected above, D.05-08-013 ordered the utilities to file tariff changes stating that "DG facilities that do not receive regulated subsidies do not need to install net generation output metering (NGOM) where less intrusive and/or more cost-effective options for providing output data are available, consistent with existing Rule 21." SCE and the other utilities filed tariffs incorporating this precise language. However, the Draft Resolution orders the utilities to limit the perspective of cost-effectiveness to only the "producer" and replace the phrase "more cost effective" with the phrase "less costly for the Producer." SCE urges the Commission to reject this directive.

The phrases "cost-effective" and "less costly for the Producer" do not mean the same thing. As noted in the Draft Resolution, customer generators must bear the cost for NGOM. As such, it will always be cheaper for the Producer to forego metering under a "least cost" test. This is not the standard that was enunciated in D.05-08-013. Second, cost-effectiveness should be examined from the perspective of all ratepayers, not just the producer. The costs associated with administering and billing customer-generator accounts are funded by all ratepayers, not just distributed generation customers. As such, it is appropriate to consider the costs to all ratepayers when determining whether "less intrusive and/or more cost effective options for providing output data are available." SCE is concerned that the changes imposed by the Draft Resolution will promote uneconomic choices and shift costs onto other ratepayers.

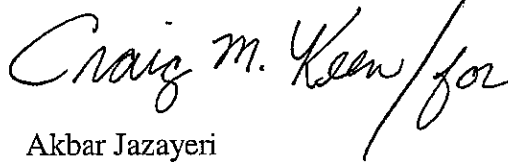
It is worth noting that a number of parties commented on this very topic when D.05-08-013 was in draft form. The Commission declined to clarify the perspective of the cost-effectiveness analysis when it adopted the Decision. It is inappropriate to make wholesale changes to the language in D.05-08-013 on this point through the Resolution process now. For these reasons,

⁴ In fact, SCE has repeatedly urged the Commission to permit NGOM for *all* distributed generation installations connecting to the utility grid, for administration of CPUC-approved tariffs, participation in CPUC-adopted programs, and for system operation and planning. For example, NGOM provides the most accurate information for billing and administration of tariffs. NGOM also provides accurate metering and data tracking fundamental to consideration of DG for resource adequacy, resource planning, RPS compliance. NGOM would also assist the Commission in developing current and future DG policy.

SCE requests that the Commission adopt SCE's proposed tariff language concerning NGOM requirements which mirrors the language in D.05-08-013.

SCE appreciates the opportunity to submit these comments on Draft Resolution E-3996. Rule 21, as filed in SCE's Advice 1971-E, PG&E's Advice 2792-E, and SDG&E's Advice 1776-E, is consistent with the mandates in D.05-08-013 and the consensus of the Rule 21 Working Group. SCE respectfully requests the Commission to reject the changes ordered by the Draft Resolution discussed above and to adopt the final resolution in accordance with these comments.

Southern California Edison Company

A handwritten signature in black ink that reads "Craig M. Keen for". The signature is written in a cursive style and is positioned above the printed name "Akbar Jazayeri".

Akbar Jazayeri

cc: President Michael Peevey
Commissioner Geoffrey Brown
Commissioner Rachelle Chong
Commissioner Dian Grueneich
Commissioner John Bohn
Administrative Law Judge Dorothy Duda, CPUC
Sean Gallagher, CPUC Energy Division
Don Lafrenz, CPUC Energy Division
Ken Lewis, CPUC Energy Division
Werner Blumer, CPUC Energy Division
Service List for E-3996 (R.04-03-017)

CERTIFICATE OF SERVICE

I hereby certify that, pursuant to the Commission's Rules of Practice and Procedures, I have this day served a true copy of the COMMENTS OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) ON DRAFT RESOLUTION E-3996 as it relates to SCE's Advice 1971-E, to all parties identified on the service list for E-3996 (R.04-03-017) attached to the draft Resolution.

Executed this 8th day of May 2006, at Rosemead, California.



Susan Quon
Business Analyst
SOUTHERN CALIFORNIA EDISON COMPANY

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